



Senator Eide's Week in Review
March 14-18

In the Spotlight: The Great Recession and budget challenges.

Next week, the House of Representatives is scheduled to reveal their proposal on how to close the \$5 billion revenue shortfall our state faces. Before the budget is revealed, I think it is important for people to understand the severity of the economic crisis we are in and what is being done to solve the problem.

Since the great recession began in 2007, citizens of our outstanding state and the state of Washington itself have faced an unprecedented financial crisis. In terms of unemployment, there really is no comparison. The chart below illustrates the dramatic increase in unemployment compared to other post WWII recessions:

Contact Information:

Olympia Office:
305 Legislative Building
Olympia, WA 98504-0430

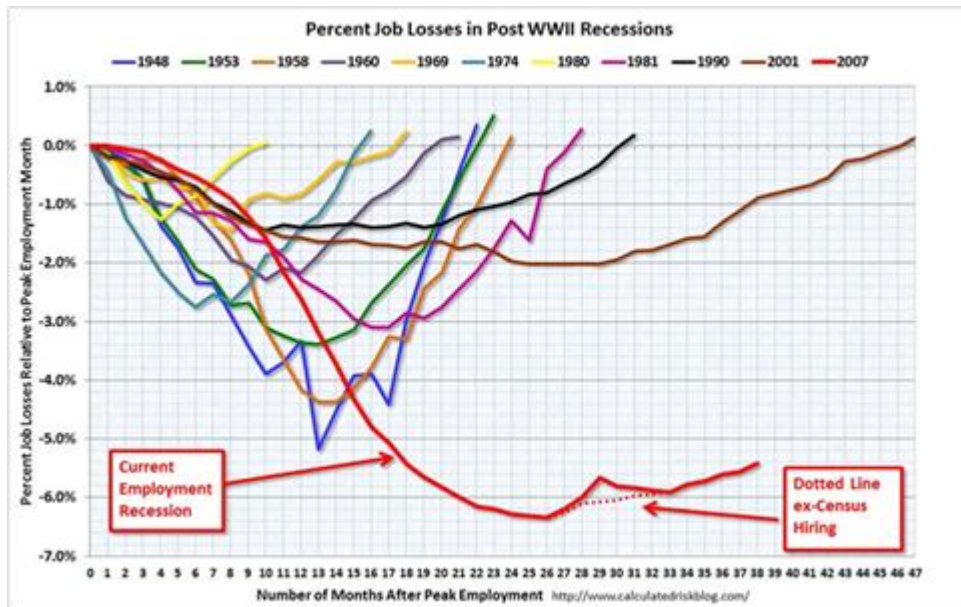
Phone: (360) 786-7658

Toll-free legislative hotline:
1-800-562-6000

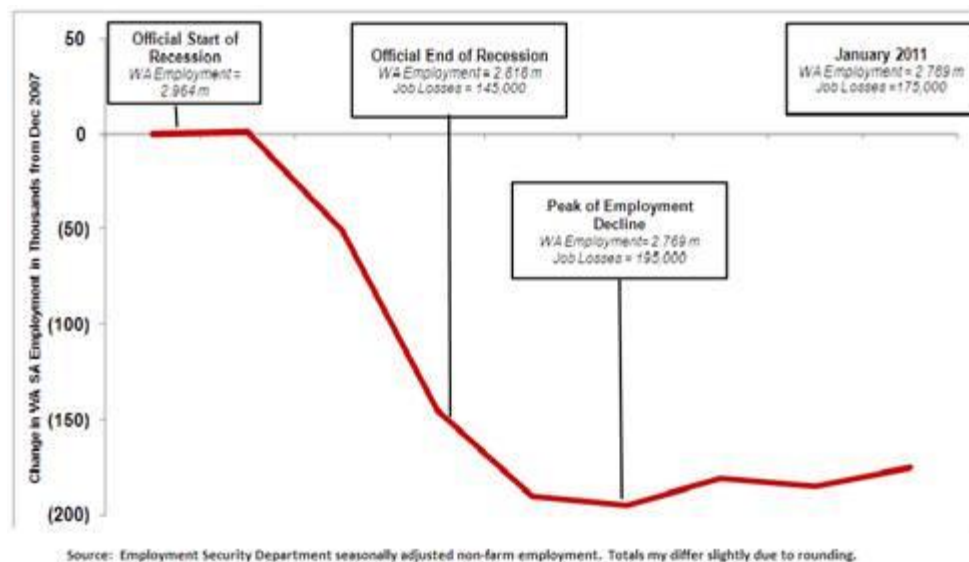
TTY/TDD Hearing impaired
hotline: 1-800-635-9993

E-mail:
tracey.eide@leg.wa.gov

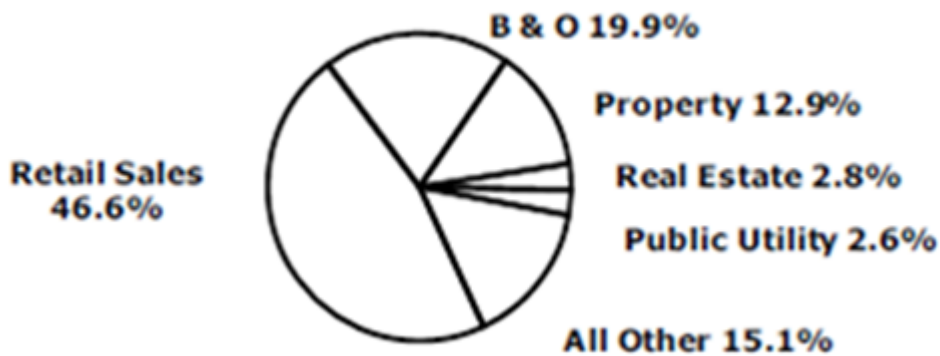
Web site:
<http://senatedemocrats.wa.gov/senators/eide>



In Washington, the recession created two consecutive years of negative employment growth. In 2010 the unemployment rate climbed to 9 percent and is not expected to return to pre-recession levels until October of 2013.



Nearly half of the state budget is supported by consumer spending, which means high unemployment has caused revenues to decline significantly. Sources of tax revenue for the state general fund come from retail sales, B&O, Property, Real Estate, Public Utility, and other taxes.



In 2009 and 2010, the Legislature addressed a nearly \$12 billion revenue shortfall. Here is how we balanced the budget:

- Cut 8,200 FTEs, or 3.9 percent of the state workforce
 - 3,000 state employees
 - 3,100 higher education employees
 - 2,100 school districts employees
- Implemented a statewide salary freeze for state workers
- Mandated 10 furlough days for state employees (3.8 percent annual wage cut)
- Cut state worker health benefit plans, causing employees to pay up to \$1,250 more per year in out-of-pocket medical expenses each
- Cut over \$350 million in agency administration costs
- Cut over \$840 million in compensation for those who deliver public services, such as teachers, prison guards and food inspectors
- Cut \$710 million from the smaller class-size initiative, I-728
- Cut \$680 million from our state colleges and universities
- Cut over \$250 million from the Basic Health Plan, resulting in 40,000 fewer enrollments
- Cut over \$150 million from our corrections system, including five facilities closures
- Cut over \$100 million from Welfare to Work
- Reduced rates for nursing homes, adult family homes, boarding homes, group homes, and in-home care

The challenge is enormous: No federal funds and no new revenue

We could cut our entire public system of higher education -- all six of our public four-year institutions and all 34 of our two-year community and technical colleges -- and we'd solve only 50 percent of the current problem.

We could close down our corrections system -- all nine prisons, three minimum custody camps, and fifteen work release centers -- and we'd solve only 33 percent of the current problem.

We could eliminate all state environmental efforts -- all programs that promote clean air and water, clean up pollution, preserve and support our vast natural resources, protect endangered species and encourage conservation -- and we'd solve less than 10 percent of the current problem.

Most significantly, we could do all of these things and it STILL wouldn't bring the budget into balance.

As the coming weeks unfold, and House and Senate budgets are released, I will be sure to stay in constant communication to keep you updated on our progress.

Latest revenue forecast:

On Thursday, the Economic & Revenue Forecast Council (ERFC) released its new revenue forecast for the 09-11 and 11-13 biennia. The overall change is a reduction of \$80 million in 09-11 and \$698 million reduction in 11-13, for a total 3-year decrease of \$778 million.

According to OFM Director Marty Brown, this leaves us about \$201 million short for the 09-11 biennium, after adjusting for caseloads and assuming the Governor's level of policy requests. The projected shortfall for 11-13 is approximately \$5 billion. (The shortfall is the difference between projected revenues and the projected state expenditure levels, and includes estimated expenditure for continuing current programs).

The ERFC documents can be found [here](#).

Healthcare:

Healthcare costs are rising which makes it more difficult for Washingtonians to get coverage. The number of uninsured people in the state is nearing 1 million. Without major changes, even fewer people will have access to affordable care.

Average cost to employers and families in 2010:

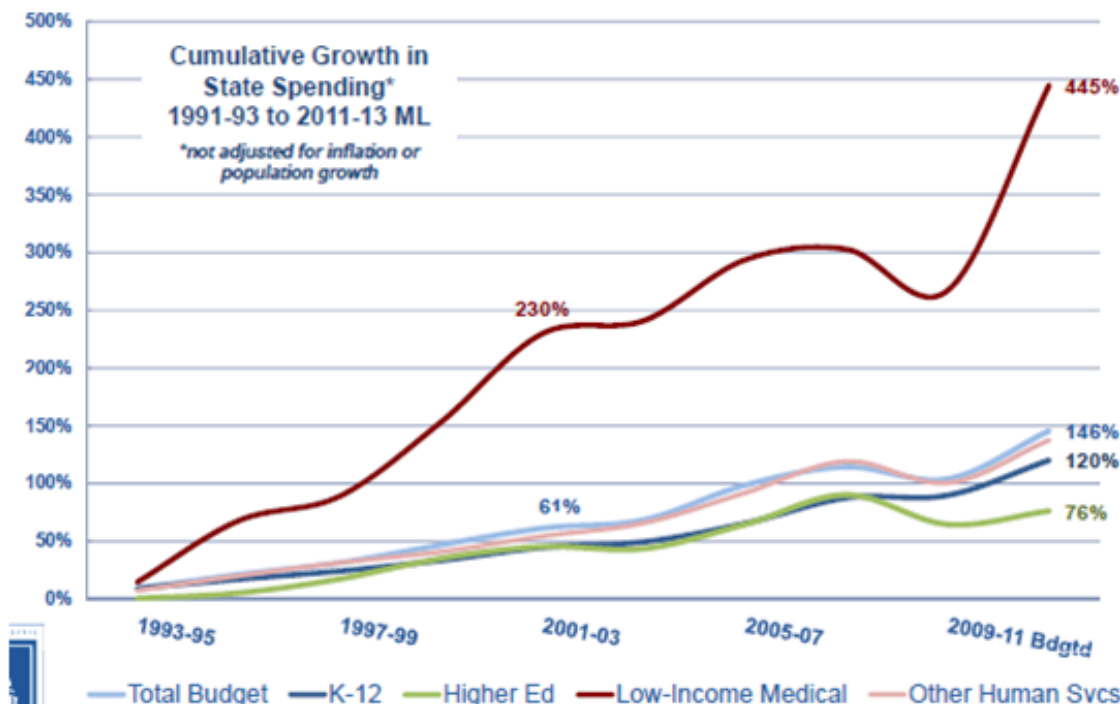
Coverage Type	Average Premium	Employee Share	% Paid by Employee
Individual	\$5,049	\$959	19%
Family	\$13,770	\$4,131	30%

Percentage of firms offering coverage declining:

	2000	2009	Change
All Firms	69%	60.4%	-8.6%
Small firms	57%	46%	-11%

Costs are soaring for a number of reasons. One problem is that the healthcare system in our country is inefficient and providers must deal with hundreds of different payers and systems. Administration fees take 30 cents of every health care dollar and 14% of premiums go to health plan administration. Another issue we face is that we use a fee-for-service model. This means we pay for volume of services instead of quality or outcomes. The result is Americans get more expensive, and less needed care than anyone else. Additionally, investment is often made in the wrong care. We pay a lot for specialty and inpatient services, while neglecting primary care and prevention.

Healthcare is capturing more and more of the state budget:



Health care is growing faster than other state programs. Inflation is one reason for this. The state has lower health care inflation than the private sector, but it still exceeds the Consumer Price Index (CPI). Another reason for rising costs is the expansion of programs. We have expanded coverage to new groups, most importantly more children in need are being covered. Declines in private coverage also affect state costs. As costs increase, employer-based coverage declines and many, especially children, shift to state programs. The current recession has escalated this trend as family incomes drop and unemployment rises.

Washington is an innovator in containing costs:

In 2009, the legislature enacted SB 5346 which created a private-public partnership to simplify and reduce administrative costs in health care through: one-stop professional credentialing, electron eligibility and coverage verification, simplified claims processing, and standardizing how plans manage utilization (e.g. prior authorization).

Washington is also on the forefront for using evidence-based research to evaluate treatments for purchase. The focus is on safety and effectiveness. This includes: Advance Imaging Collaborative, Prescription Drug List, and a review of costly new technologies. In two years, the state has conducted empirical reviews of ten treatments and technologies, issuing guidelines for their safe use. Back surgery, coronary stents, full body scans, angiograms, and virtual colonoscopies are a few of these treatments. \$27 million annually has been reduced in unnecessary and potentially harmful care.

Savings are also being achieved through integrated preventative care. Currently, there are many primary care medical home multi-payer pilot projects underway. The Disability Lifeline is a great example of integrating behavior health at community health centers. Next steps in this process include: state agencies contracting for expanded primary care health homes, care management for chronic conditions, savings from reduced inpatient and ER use, and collaborative partnerships with private carriers and large employers to expand health homes.

Major strides to improve access to healthcare:

Improving access to healthcare is a priority. The Basic Health Plan was created in the 1980's. This expanded from a small pilot program to cover 140,000 people at its peak. During tight budget periods, the program has shrunk. Currently about 55,000 people are covered.

In 2006 legislation passed to set the goal to cover all kids by 2010. In order to meet that goal, the Legislature created the Apple Health program and expanded outreach efforts. Despite the recession, by 2010, we were covering close to 97% of all children in the state.

Today, our focus is on how to sustain the health care infrastructure until the end of 2013. A recently approved federal waiver provides 50% Federal matching funds for the Basic Health Plan and Disability Lifeline. In 2014, Medicaid will expand to cover adults to 133% FPL and funds will be available for the Exchange and Basic Health Plan.

Early Learning and K-12 Education:

Representatives from three recipient schools of the 2010 Washington Achievement Award testified during Wednesday's committee meeting. The Federal Way Public Academy was one of these recipients. The Washington Achievement Award is awarded collaboratively by the Office of the Superintendent of Public Instruction and the State Board of Education. The award recognizes schools for their overall excellence and special recognition is given to language arts, math, science, graduation rates, improvement and closing achievement gaps. This honor is the acknowledgment of the incredible effort educators, administrators, and families are putting into making our schools the best that they can be.

Suzanne Smith, Board of Education Director for Federal Way Public Schools, testified on behalf of Federal Way Public Academy (FWPA). The FWPA is a public college preparatory school for grades six through twelve. The FWPA was given the 2010 Washington Achievement Award for overall excellence in a middle/junior high school. I am very proud of Suzanne, Kurt Lauer, FWPA Principal, and all the outstanding teachers at the school. Congratulations!

Leadership and Education Governance Roundtable:

On Monday, I had the honor of being a part of a roundtable discussion with Governor Gregoire and U.S. Secretary of Education Arne Duncan. Secretary Duncan participated by video conference from Washington D.C. to offer his opinion on the public school system in this country and education reform. During our meeting, we discussed creating common academic standards that will prepare students for success in college and careers, federal resources available through the Race to the Top program, creating a state Department of Education, and smart budget cuts to make in tough economic times. Secretary Duncan also challenged each elected official on the panel to be a champion for education—something I already take great pride in doing.

The Colby Thompson Bill:

This week the House Committee on Early Learning and Human Services had a public hearing for SB 5504, the Colby Thompson Bill. This bill moves Washington one step closer to ensuring our children are in the hands of educated, competent care providers. Colby Thompson's mother, Jamie Thompson, testified in support of the bill. She told the committee the heart wrenching story about the abuse her son, Colby, received at an unlicensed day care facility. I was able to meet with Jamie and her family, who are all also constituents of the 30th District, after the committee hearing on Tuesday. When I thanked Jamie for her courage to fight for this important legislation in the face of adversity, she said she was doing it to make sure that no one else had to go through what Colby went through.

Page I Sponsored this Week:

Danielle Powell, from Federal Way, 11th grader at Academy Northwest



Senator Eide with Page Danielle Powell

This Week's Visitors from the 30th District:

If you are ever in Olympia and are from the 30th District, please visit my office: Legislative Building 305. I would love to see you!

- *Rich Garmong; U.S. Army National Guard
- *Wendy Reust; WSCADV
- *Jamie Thompson & Family; Colby Thompson bill supporters
- *Liz Drake, Vlademar Torrez, Jon Brumbach, Sarah Curl, Tracy Oster, Susan Richards; Communities in Schools
- *Tom Pierson; Federal Way Chamber
- *Ron Mayberry; Federal Way Internet Academy
- *Cermit Rickey, Multiple Sclerosis Advocate
- *Pam Ashe, Mayra Martinez, Cristina Medina, Kimberly Altamirano, Patci Serrano, Esbeidy DeLaRosa, Carlos Cardenas; Federal Way High School